

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BSI3124 – SEMINAR IN INVESTMENT

(All sections / Groups)

31 May 2019
(9.00 a.m.- 11.00 a.m.)
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **4** pages. There are total **4** questions.
2. Answer **ALL** questions.
3. Marks are shown at the end of each question.

Answer all questions in the answer booklet provided.

QUESTION 1 (25 marks)

(a) Read the extracted journal and answer the following questions (i) and (ii).

1. Introduction

There is now a wide consensus that climate change is occurring, caused by human-induced greenhouse gas emissions, mainly from fossil fuel combustion and changes in land use. Climate change could produce severe negative outcomes and has important macroeconomic consequences. Higher temperatures, rising sea levels, and extreme weather conditions may severely impair output and productivity (IMF, 2008a). Climate developments will also affect fiscal positions through their direct impact on tax bases and spending programs, and more importantly, through the policies needed to mitigate climate change and adapt behaviors and production to the new environment (International Monetary Fund, 2008b, Jones and Keen, 2009, Parry, 2011). These costs and risks point to the unsustainability of current patterns of energy use. At the same time, the transition to a low-carbon emission model will require large investments in alternative energy sources, because green technologies, such as wind turbines or solar panels, are capital-intensive, especially in the early stages of development (Johnson and Lybecker, 2009).

Increasing the share of green investment (GI) is not only a medium-term climate target. Proponents of investment in low-carbon energy sources also cite the need to enhance energy security, reduce adverse health effects of air pollution, and find new sources of growth (Accenture, 2011, McKinsey, 2009, (OECD), 2011, PriceWaterhouseCoopers, 2008). As of today, GI is already a significant contributor to electricity and energy generation. Renewable energies represent one-fifth of electricity generation worldwide (IEA WEO 2010). The pace of green capital accumulation has accelerated in recent years, led by technological progress, economies of scale, strong policy support, and favorable public opinion. Green programs had also proven to be important in national fiscal stimulus plans during the 2008/09 global financial crisis.

The purpose of this paper is to analyze and explain recent trends in GI based on a new multi-country dataset, with a view to better understanding what policies have been successful in promoting it. To our knowledge, no study has yet been conducted that defines the concept of GI in a macroeconomic sense, and relates it to macro determinants from a cross-country perspective.

The paper utilizes a broad definition of GI, which encompasses both traditional energy sources (e.g., hydropower) and new technologies. It shows that GI has become a key driver of the energy sector, as it now exists on a similar scale to investment in fossil-fuel capacity. GI is also a global phenomenon, with leadership shifting from Europe and the United States in the 1990s to China in more recent years.

Our econometric results have important implications for the design of policies to bolster GI. They suggest that macroeconomic policies that are generally effective for increasing

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private investment as a whole are also useful for GI, in particular, enhancing GDP growth and lowering the cost of capital. At the same time, not all public interventions are successful in boosting GI. Feed-in tariffs (a form of price support) and carbon pricing mechanisms are found to foster GI, while other policies, like biofuel support, do not appear to be associated with higher investment rates.

The paper is organized as follows: Section 2 discusses conceptual and methodological issues related to the definition and measurement of GI. Section 3 analyzes the relative importance of green and conventional energy sources. Section 4 reviews recent trends in GI, drawing from financial data and other relevant sources. Section 5 analyzes the determinants of GI from both theoretical and empirical perspectives. Finally, Section 6 concludes.

(Source: Eyraud, Clements and Wane (2013). Green investment: Trends and determinants, Energy Policy, 60, 852-865).

- (i) Identify the research problem. (7 marks)
- (ii) Discuss the research question that the researchers intend to carry out in the study. (6 marks)
- (b) You are asked to explain the following investment strategies.
 - (i) Buy-and hold strategy (4 marks)
 - (ii) Value investing (4 marks)
 - (iii) Growth investing (4 marks)

QUESTION 2 (25 marks)

- (a) Compare between market efficiency hypothesis and behavioral finance. (8 marks)
- (b) Explain arbitrage pricing model and how this model can assist investors in making investing decision. What is its limitation? (12 marks)
- (c) The abstract is sourced from Review of Business and Economics Studies.

“With a sample covering all listed companies on Ho Chi Minh Stock Exchange from 2014 to 2015, we investigate whether announcements of earnings and dividend changes provide any signaling effect to the share price movements. It is observed that there is insignificant reaction on the dividend announcement day itself and also in the few days around it. In addition, from the market reactions to both dividend and earnings announcements, it concludes that both announcements have significant effects on the stock price with relative significantly abnormal return surrounding announcement date. However, changes in cash dividends do convey more useful

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information to the market. Therefore, Ho Chi Minh stock exchange has not fully achieved as its efficient level.

(Source: Tran Thi Xuan, Nguyen Thanh Phuong and Pham Tien Ma (2016). Semi-strong form efficiency: Market reaction to dividend and earnings announcements in Vietnam stock exchange, Vol 4, No.3, pp. 53-67)

Explain the form of efficient market hypothesis that the study is examining. (5 marks)

QUESTION 3 (25 marks)

- (a) In the literature, many variants of asset pricing model had been developed, for example, Fama-French 3-factor model, 4-factor model, 5-factor model and behavioral asset pricing model. Explain why many different models had been proposed. (5 marks)
- (b) Explain behavioral asset pricing model and how it is developed. (8 marks)
- (c) Explain each of the variables under Fama-French-Carhart 4-factor model. (12 marks)

QUESTION 4 (25 marks)

- (a) Explain the components covered under sustainability business and why sustainability business is important. (13 marks)
- (b) Read the news below and answer the following questions (i), (ii) and (iii).

SC 2018 Annual Report

P2P financing grows 452% to RM180 mil in 2018

KUALA LUMPUR (March 14): **Peer-to-peer (P2P) financing** in Malaysia grew 452% to RM180.05 million in 2018, from RM32.60 million in 2017.

In its 2018 annual report, the Securities Commission Malaysia said a total of 1,901 successful campaigns were organised by 602 issuers in 2018 compared with 604 campaigns and 79 issuers in 2017.

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“About 91 per cent of campaigns successfully raised up to RM200,000,” it said.

The majority or 57% of investors were below 35 years, followed by 35 to 45 years (30%), and 46 to above 55 years (13%).

Additionally, 93% of investors had invested across multiple campaigns.

The SC reported 87% of investors came from the retail segment and locals made up 99% of the investor base.

However, **equity crowdfunding** (ECF) declined to RM15.06 million in 2018, from RM24.14 million in the previous year.

Overall, 47% of campaigns raised RM500,000 or below, followed by RM500,000-RM1.5 million (29%) and RM1.5 million — RM3 million (24%).

Retail investors were the majority at 54%, followed by sophisticated (27%), angel (18%) and others (1%).

Local investors accounted for 94% of investors.

Meanwhile, the SC also reported 805 new licensees were issued Capital Markets Services Representative's Licence (CMSRL) in 2018 to undertake various regulated activities.

“Seven new licences were issued to companies, with five issued for fund management and two to companies for financial planning activities.

“As at Dec 31, there were 242 Capital Markets Services License holders carrying out -various regulated activities,” it added. — *Bernama*

(Source: Bernama, March 14 2019)

- (i) Explain peer-to peer (P2P) financing. (3 marks)
- (ii) Explain equity crowdfunding. (3 marks)
- (iii) What is the main difference between the two? What is their common principle? (6 marks)

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